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Secrt. II-27—100,000—21-5-53.

Finance (1948) Department.

MS SERIES.

G.O. No. 1288

Dated 5-2-48

[Despatch Abstract.]

New Services Schemes of new expenditure and other new schemes - Schemes involving abandonment of existing revenue with or without change of policy - Introduction in the course of a year - Consolidated instructions issued - Papers recorded.

VERY SPECIAL

GOVERNMENT OF MADRAS.
Finance Department.

U.O. Note No. 41910/BG-2 dated 30th June 1949.

Sub:- Schemes of new expenditure treated as 'New Services' and other new schemes - Introduction in the course of a year - Enhancement of monetary limits for cases going before the Standing Finance Committee - Instructions issued.

Read:- U.O. Note No. 26978/A/BG-4 dated 21.12.1947.

In modification of para 1(a) under Section I in the Annexure to the U.O. Note cited, the Government have decided that schemes of new expenditure treated as 'New Services' and other new schemes which are technically not "New Services" should be referred to the Standing Finance Committee and tne Cabinet only if the estimated cost of the Scheme exceeds Rs. 10,000/- per annum recurring or Rs. 50,000 non-recurring. Schemes involving the abandonment of existing revenue when the amount to be foregone exceeds Rs. 25,000 per annum recurring or Rs. 1,00,000 non-recurring or when the scheme involves a change of policy should continue to be referred to the Standing Finance Committee and then to the Cabinet before orders sanctioning the scheme are issued.

2. In supersession of the instructions in section III in the Annexure to the U.O. Note cited, the Government also direct that new schemes which do not require a reference to the Standing Finance Committee and the Cabinet may be sanctioned after the case is circulated as indicated below:-

(A) Schemes of new expenditure treated as "New Services":-

	Hon'ble Minister or Ministers to whom the case should be circulated.
(i) Where the estimated cost does not exceed Rs. 2,000 per annum recurring or Rs. 10.000 non-recurring.	The Hon'ble Minister or Ministers concerned and the Hon'ble Finance Minister.
(ii) Where the estimated cost exceeds 2,000 per annum recurring or Rs. 10,000 non-recurring but does not exceed Rs. 10,000 per annum recurring or Rs. 50,000 non-recurring.	The Hon'ble Minister or Ministers concerned, the Hon. Minister Finance and Hon. Premier.

/Service"

Note:- As soon as orders in circulation approving a 'New/Scheme have been obtained a summarising note marked 'special' should explaining the nature of the 'New Sservice' and the amount of the expenditure involved should be circulated to each of the Ministers who did not see the case when orders were obtained on it. A copy of the note should at the same time be furnished to Chief Secretary. The circulation of the note should not be delayed even

when the draft order has to be seen in other department of the Secretariat before issue.

(B) Schemes of new expenditure not treated as 'New Services"

	Hon'ble Minister or Ministers to whom the case should be circulated.
(i) Where the estimated cost does not exceed Rs. 5,000 per annum recurring or Rs. 20,000 non-recurring.	The Hon'ble Minister or Ministers concerned and the Hon'ble the Finance Minister.
(ii) Where the estimated cost exceeds Rs. 5,000 per annum recurring or Rs. 20,000 non-recurring but does not exceed Rs. 10,000 per annum recurring or Rs. 50,000 non-recurring.	The Hon'ble Minister or Ministers concerned, the Hon'ble Finance Minister and the Hon'ble the Premier.

Note (1):- If a question of policy is involved in any particular case the administrative department or departments concerned should decide in accordance with the instructions in the Business Rules, whether the orders of the Cabinet should be obtained.

Note (2):- In the following cases when the scheme is accepted by the Finance Department orders may be issued by the Administrative Department without circulation to the Hon'ble the Finance Minister unless the Finance Department asks specifically for such circulation:-

(1) Employment of additional staff for normal increase of work the cost of which does not exceed Rs. 3,000 per annum.

(2) Other schemes which are not 'New Services' and which do not involve the employment of staff, the cost of which does not exceed Rs. 2,500 per annum recurring or Rs. 10,000 non-recurring.

(3) Any work relating to the extension, alteration, strenghtening or duplication of the distribution system of an established Government electric project, or any other work required to meet the increase in the demand for supply of power from such a project, if the cost of the work is rupees two lakhs or less (Non-recurring).

(The Chief Engineer (Electricity) himself is competent to sanction under the powers delegated to him, expenditure on an electricity scheme which is technically not a 'new service" and the estimated costof which is Rs. 30,000/- or less non-recurring).

(4) Any scheme which is not a 'new service' and the cost of which is fully recoverable from another Government or local body or private body or individual.

(The Finance Department will ask for circulation to the Hon'ble the Finance Minister if the expenditure

is important or of an ~~unusual~~ unusual nature or involves any new principle or policy).

(C) Schemes involving abandonment of Revenue:-

	Hon'ble Minister or Ministers to whom the case should be circulated.
(i) Where the estimated loss of revenue does not exceed Rs. 2000 per annum recurring or Rs. 10,000 non-recurring.	The Hon'ble the Minister or Ministers concerned and the Hon'ble the Finance Minister.
(ii) Where the estimated loss of revenue exceeds Rs. 2,000 per annum recurring or Rs. 10,000 non-recurring but does not exceed Rs. 25,000 per annum recurring or Rs. 1 lakh non-recurring.	The Hon'ble Minister or Ministers concerned, the Hon'ble Finance Minister and the Hon'ble the Premier.

Note:- Proposals for remissions of revenue to be sanctioned in accordance with an established policy will be dealt with in accordance with the usual procedure for them.

3. The other instructions in Finance U.O. Note No. 26978(A)/BG-4 dated 21.12.1947 will, in so far as they are not in consistent with the instructions in paragraphs 1 and 2 above continue to apply.

4. The instructions in U.O. Note No. 80736 dated 4.9.1948 in regard to P.W. Developments and Grow More Food Schemes eligible for grants from the Government of India will continue in force i.e. the procedure prescribed for cases of extrme urgency in Section II (iii) of U.O. Note No. 26978(A)/BG-4 dated 21.12.1947 may be adopted and the schemes sanctioned without reference to the Standing Finance Committee and the Cabinet irrespective of the cost involved. But if any of these schemes is a'new service' a supplementary grant should be obtained from the legislature

T.N.S. Raghavan,
Secretary to Government.

To
The Departments of Secretariat (all sections).
The Governor's Secretariat.
All officers of the Finance Department.
The Personal Assistants to all Hon'ble Ministers.

...

/True copy/

Superintendent,

MADRAS RECORD OFFICE.

FINANCE (B.G.) DEPARTMENT

Sub:- New Service Procedure - Fixation of higher limits for cases going before Standing Finance Committee - Recommend-ation of the Retrenchment and Reorganisation Committee.

The Retrenchment and Reorganisation Committee has recommended that with reference to the "New Services" procedure, higher limits may be prescribed for cases going before the Standing Finance Committee and in cases below such limits, orders may be obtained in circulation.

The procedure followed till now in regard to the consideration of new schemes proposed for introduction in the course of a year is indicated in paragraphs 2 to 7 below.

2. Under paragraphs 15 and 49 to 55 of the Madras Budget Manual, proposals for schemes of new expenditure and schemes of abandonment of existing revenue should be treated as Part II Schemes, i.e. they should not be introduced during the course of a year but should be brought forward for consideration in connection with the Budget for the ensuing year. The Cabinet as a whole decides which of the Part II Schemes should be provided for in the budget of the ensuing year, with reference to their relative urgency and the funds available after providing for all standing sanctions (Part I estimates). This is essential in order to ensure that the relative claims of various departments are carefully weighed from the point of view of the general public interest and that particular departments of the administration do not get unduly favourable treatment. It is, also essential from the point of view of the joint responsibility of the Cabinet to the Legislature for the budget placed before it.

Some new schemes, however, are so urgent that they cannot wait for consideration along with the Part II Schemes for introduction in the following year and have to be introduced in the course of the year in advance of the Part II Schemes for the next year. By reason of their introduction in advance, they get priority over all the Part II Schemes for the next year, since provision is automatically made for such sanctioned schemes in the budget of the following year in the Part I Estimates.

3. There was a Standing Finance Committee of the Legislature in this Province before the introduction of Provincial Autonomy in 1937. This Committee considered all part II Schemes, and other schemes of new expenditure brought forward in the course of a financial year. Its functions were only advisory. The Standing Finance Committee ceased to exist in this Province from the 1st April 1937 with the introduction of Provincial Autonomy,

as there was no parliamentary precedent for it, and as it was considered that it would be difficult to adapt the procedurerelating to the Committee to the conditions of responsible Government under the new Constitution in force from the 1st April 1937. All new schemes which were considered by the Finance Committee when it was in existence were again placed before the Cabinet which finally decided the schemes to be introduced in the course of a year. There was no monetary limit for cases to be considered by the Finance Committee and the Cabinet. The introduction of new schemes in the course of a year was generally discouraged.

4. During the years 1938 and 1939, when the first Congress Ministry was in office, there was no Finance Committee. The question whether a scheme was a 'New service' or not was decided in each case with reference to the body of case ⅋ law embodied in the new service pamphlet. All new schemes including 'new service' cases which satisfied the criteria laid down by the Government for introduction in the course of a financial year, were circulated only to the Hon'ble Minister or Hon'ble Ministers concerned and the Hon'ble the Finance Minister before orders were issued. If, however, any question of policy was involved, the Department or Departments of the Secretariat concerned had to decide with reference to Business Rules and Secretariat Instructions whether the orders of the Cabinet should be taken.

5. After the Congress Ministry resigned in 1939 and the administration of the Province was taken over by the Governor under section 93 of the Government of India Act, 1935, cases relating to 'New services' were circulated to His Excellency the Governor and all his advisers before orders sanctioning the schemes were issued. It was then found that too many relatively unimportant files were being circulated to all Advisers and His Excellency. With a view to reducing the number of 'new service' cases to be given full circulation, it was decided in 1945 in consultation with the Ad Hoc Public Accounts Committee then in existence, that for the duration of the Section 93 situation, a new scheme not provided for in the Budget of the year need be treated as a 'new service' and given full circulation only when the cost exceeded the limit shown below for the particular class of case:-

1. Employment of additional staff.	If the estimated cost exceeds Rs. 20,000 p.a.
2. Any new Civil Works other than one relating to Government House, Irrigation work, or hydro-electric scheme.	If the estimated cost exceeds Rs. 30,000 per annum.
3. (a) Grants to local bodies and private institutions for the following purposes.	
(i) Educational purposes.	
(ii) Medical & Public Health purposes.	
(iii) Agricultural purposes.	
(iv) Veterinary purposes.	

(v) Co-operative purppses. (vi) Roads and Bridges.	
(b) (i) Employment of establishments. (for specific new objects. (ii) Employment of special establishments. (iii) Constitution of Committees. (iv) Opening of new institutions or new courses in existing institution. (v) New Experiments. (vi) New Demonstrations. (vii) Purchase of additional machinery.	If the estimated cost exceeds Rs. 2,500/- per annum recurring or Rs. 10,000 non-recurring.

After the proclamation under section 93 of the Act was revoked and a Ministry took up office in 1946, the question whether the above procedure should continue was referred to the Public Accounts Committee of the Legislature then constituted, and the Committee at its meeting held on 8.10.1946 recommended that the limits of cost mentioned above for deciding whether a scheme should be treated as a 'new service' should continue to be in force.

6. The question of the procedure to be followed for circulation of schemes treated as 'new services' to Ministers and His Excellency the Governor was considered at a meeting of the Council of Ministers held on 5.6.1946. It was decided that the following procedure should be followed in respect of 'new service' schemes:-

(a) <u>If the cost of each scheme does not exceed Rs. 25,000/- per annum recurring or Rs. 1,00,000 non-recurring:-</u> The case should be circulated to the Minister or Ministers in charge of the subject, Hon'ble Prime Minister, and His Excellency before issue of orders. After issue of orders sanctioning the scheme, a summarising note explaining the urgency of the scheme and the cost involved should be circulated simultaneously to all the Ministers who did not see the case before the issue of orders and to the Chief Secretary.

(b) <u>If the cost of each scheme exceeds Rs. 25,000 per annum recurring or Rs. 1,00,000 non-recurring:-</u>

The case should be circulated to all the Ministers, Hon'ble Prime Minister, and His Excellency the Governor before issue of orders. If, however, orders have to be issued immediately, a time limit should be fixed for such circulation by the Minister in charge and the case should then be circulated only to such of the Ministers as are at Madras and to His Excellency. After issue of orders, a summarising note of the kind referred to under item (a) should be circulated to all the Ministers who did not see the case before issue of orders and to the Chief Secretary.

Note:- The summarising note need not be circulated in respect of 'new service' cases approved at a meeting of the Cabinet although His Excellency or some of the Ministers might not have been present at that meeting in view of the fact that decisions taken at Cabinet meetings are communicated to the absentee members by the Chief Secretary.

As a result of the adoption of the above procedure, it was found that many important schemes involving expenditure on a large scale were sanctioned after circulation to the Minister concerned, the Minister in charge of Finance and His Excellency the Governor with reference to (b) above on the ground of urgency. It was also found that a very large number of schemes not provided for in the budget were being introduced in this way in the course of the year without the Cabinet as a whole considering them with reference to relative urgency and availability of funds. The then Revenue Minister (Sri. K.R. Karanth) suggested that a Standing Finance Committee of the Cabinet should be constituted and that all new schemes which were proposed for introduction in the course of a financial year should be placed before it and then before the Cabinet for consideration. This suggestion was considered by the Cabinet and it was eventually decided in December 1946 that a Standing Finance Committee of six Ministers should be constituted to advise the Government regarding schemes involving new expenditure or abandonment of existing revenue which were brought forward as Part II Schemes in connection with the budget of the ensuing year or were proposed for introduction in the course of a financial year. In the case of new schemes of the latter class, it was decided that schemes whose cost exceeded certain monetary limits as indicated below need alone be placed before the Standing Finance Committee and the Cabinet:-

(1) schemes of new expenditure treated as 'new services' if the estimated cost of the scheme exceeds Rs. 2,000 per annum recurring or Rs. 10,000/- non-recurring;

(2)other new schemes which are technically not 'new services', if the estimated cost of the scheme exceeds Rs. 5,000/- per annum recurring or Rs. 20,000 non-recurring; and

(3) schemes involving the abandonment of existing revenue when the amount of revenue to be foregone exceeds Rs. 25,000/- per annum recurring or Rs. 1,00,000 non-recurring or when the scheme involves a change of policy.

All new schemes of the classes mentioned above were to be placed first before the Standing Finance Committee and then before the Cabinet before they were sanctioned. In very urgent cases, when there was no time to refer a scheme to the Cabinet, orders might be issued whichout such a reference, provided the Standing Finance Committee was unanimous about the urgency of the scheme and the necessity for it. In such cases, the Department's summarising note should contain full reasons as regards the urgency.

7. As a result of the fixation of the above relatively low limits for consideration of cases by the Standing Finance Committee, a large number of minor cases had to be considered by it, and H.M. (Finance) suggested in April 1947 that the limits should be revised 'so that the Finance Committee might concentrate on the bigger items and be relieved of this sort of retail-shopping'. The question was accordingly examined further and as a result, Hon'ble Minister (Finance) suggested specific higher monetary limits for cases to be referred to the Standing Finance Committee. These limits were between the previous limits and those suggested by the Finance Department. But Hon'ble Premier was not inclined to raise the limits. The matter was then discussed by the Standing Finance Committee and the Cabinet and the revised limits as ~~f~~ decided by the Government in October 1947 are:-

Procedure.	Schemes treated as 'New services'.		Other new schemes.	
	Recurring.	Non-recurring	Recurring	Non-recurring.
	Rs.	Rs.	Rs.	Rs.
Circulation to H.M. or H.Ms. concerned and H.M. (Finance).	2,000 and below.	10,000 and below	5,000 and below	20,000 and below.
H.M. or H.Ms. concerned, H.M (Finance) and Hon'ble Premier.	Between 2,000 and 5,000.	Between 10,000 and 20,000		
Standing Finance Committe and the Cabinet*	Above 5,000	Above 20,000	Above 5,000	Above 20,000.

*(Exceptions: (i) Government Electrical Projects, if the cost is Rs. 2 lakhs or less (ii) Expenditure not on a 'new service' entirely recoverable from other Governments, etc. (iii) Firka Development schemes and (iv) very urgent cases).

Note:- Schemes involving the abandonment of existing revenue have to be referred to the Standing Finance Committee and the Cabinet if the amount involved exceeds Rs.25,000 per annum recurring or Rs. 1,00,000 non-recurring or when there is a change of policy.

8. The Retrenchment and Reorganisation Committee has recommended that with reference to the 'new services' procedure, higher limits may be prescribed for cases going before the Standing Finance Committee and that in cases below such limits, orders may be obtained in circulation. The intention behind the recommendation is evidently that the Standing Finance Committee should concentrate attention only on important cases, so that there may be a reduction in the time and labour now devoted by the Secretariat officers and staff in preparing notes etc. for consideration by the Standing Finance Committee. If higher limits are fixed, there will no doubt be some relief to the department in regard to the work relating to the Standing Finance Committee and they can devote this time

to other items of work. This may along with other factors, render it possible in due course to effect some reduction in expenditure on additional staff employed to cope with the increase of work in the Departments of the Secretariat.

9. In September 1947, Hon'ble Minister (Finance) suggested that 'new service' schemes need be referred to the Standing Finance Committee only if the cost exceeded Rs. 7,500/- per annum recurring or Rs. 20,000 non-recurring. The Standing Finance Committee and the Cabinet, however, reduced the limit for recurring expenditure to Rs. 5,000. It is not clear whether the Cabinet will be prepared now to reconsider the matter. At present, too many schemes are referred to the Standing Finance Committee from time to time and there is delay in their disposal. This is so, in spite of the fact that the special procedure for 'very urgent' cases is frequently resorted to. But if in pursuance of the present anti-inflationary policy, new schemes are very much restricted, the position will improve. It may also be noted in this connection that at present the limits for the purpose of referring new schemes to the Standing Finance Committee is the same for 'new service' schemes and other schemes. If the limit for new service schemes is raised, the limit for 'other schemes' will also have to be raised equally or even to a greater extent.

Orders of Hon'ble Minister (Finance) and Hon. Primer may be taken now, as to whether a note for the Cabinet may be prepared suggesting higher limits for referring new schemes to be Standing Finance Committee.

It will be seen from the foregoing notes:-

(i) that prior to 1937, the introduction of new schemes in the course of a year was strongly discouraged and that the few schemes which were considered to be exceptional were referred to the Standing Finance Committee and the Cabiet without any monetary limit;

(ii) that during 1938 and 1939 (the period of the first Congress Ministry) there was no Standing Finance Committee and 'new service' schemes were as a rule considered only by the Hon'ble Ministers concerned and Hon. Minister (Finance) (who was also Hon'ble Premier), a reference to the Cabinet being made in accordance with the Business Rules and Secretariat Instructions, only when a question of policy was involved;

(iii) that during the Advisers' regime (1939-1945) (when also there was no Standing Finance Committee) all 'new service' schemes were circulated to all Advisers and His Excellency the Governor; and

(iv) that in 1945 monetary limits were for the first time fixed for treating schemes as on a 'new service' ~~which~~ with the concurrence of the Public Accounts Committee and that these limits still continue to be in force.

Note:- The fixation of these monetary limits/had the effect of reducing the number of cases to be referred to the Legislature for obtaining a supplmentary grant. During the Advisers' regime, there was no Legislature and these limits were intended to reduce the number of cases which required full circulation. This involved no change at the time in the previous general procedure that schemes which had to be treated as 'new services' according to the prescribed criteria should be given full circulation.

2. In 1946 (Sri. Prakasam's Ministry) relatively high limits were at first fixed for referring new schemes to the Cabinet (i.e. all the Hon'ble Ministers and His Excellency). This led to the introduction of a very large number of schemes not provided for in the budget in the course of the year without the Cabinet as a whole considering them with reference to relative urgency and availability of funds. To check this undesirable tendency, the Standing Finance Committee of the Cabinet was first constituted in December 1946 and monetary limits were fixed for deciding which schemes should be referred to the Standing Finance Committee and the Cabinet. The prescribed monetary limits were low, having regard to the abnormal rise in prices of materials, cost of labour and cost of living (necessitating an increase under pay and allowances of staff) during the post-war period. The only change that was made in October 1947(so far as the reference to the Standing Finance Committee was concerned) was to increase the limit for 'new service' schemes to be referred to the Standing Finance Committee from Rs. 2,000 to Rs. 5,000 for recurring expenditure. The consequence is that a large number of new schemes continues to be referred to the Standing Finance Committee involving much time and labour in all the departments of the Secretariat, besides delay in the disposal of cases. The following observations of Hon'ble Minister (Finance) recorded in May 1947 still hold good:-

> "I must say that the present levels involve considerable Secretarial work in the Finance Department. A number of detailed formalities have to be gone through. Deputy Secretary, Finance has to take upon himself a lot of avoidable burden and his work is very much more on account of these low levels.
>
> There is nothing sacred about the present levels. Some decent limits may be fixed without minimising the importance of the Standing Finance Committee. I for one lose nothing and as a matter of fact, I will be personally relieved of a lot of responsibility when the levels are low".

3. Ordinarily, new schemes not provided for in the budget should be introduced in the course of the

year only in exceptional cases. At present, new schemes are proposed even from April, when the final edition of the Budget for the year has badly been communicated to all Heads of Departments. The practice of making lump sum provision in the budget which has been resorted to increasingly from last year is one of the factors contributing to this undesirable practice. No doubt, the Government have issued instructions (as a result of adverse comments in the Legislature), that 'new service' schemes should not be considered for introduction in the course of a financial year unless they are very essential or highly remunerative. But in practice, the criterion of 'essentiality' is interpreted liberally by the administrative departments concerned and referred to the Standing Finance Committee. As regards new schemes not involving a 'new service' no condition of 'essentiality' has even been prescribed.

The Government of India have, in pursuance of their anti-inflationary policy, now suggested to this Government that expenditure should be curtailed in all possible ways and that the budgets of the current year and the next year should be balanced or made surplus ones without drawing upon the reserves. They are also now reviewing the sanctions accorded by them for Post-War Development Schemes with a view to defer at least some of them. In this context, it is suggested that the Government may lay down very stringent criteria for the introduction of new schemes in the course of a year whether involving a 'new service' or not and have them enforced strictly in practice. This will automatically reduce the number of cases to be referred to the Standing Finance Committee and lead to a reduction of work all round, besides reviewing a sound financial procedure. The proper procedure for proposing new schemes is to bring them forward as Part II Schemes in complete form for consideration with the budget of the ensuing year.

4. If the course suggested above is adopted, there will not be any great need for raising the present monetary limits for referring cases of new schemes to the Standing Finance Committee. Otherwise, the question of raising the existing monetary limits for referring new service schemes (and other new schemes) to the Standing Finance Committee will require to be seriously considered, as recommended by the Retrenchment and Reorganisation Committee. If any change is to be made at all, something more than what was suggested in September 1947 by the Hon'ble Minister, Finance - see para 9 on page 6 above - would desirable.

This need not be considered. I agree with what A.D.S. says below on this point.

T.N.S.R.
11.11.48.

5. Apart from monetary limits, there is another point for consideration. At present, cases considered by the Standing Finance Committee have ordinarily to be referred again to the Cabinet, unless the Standing Finance Committee agrees to the waiver of such reference on grounds of urgency. As such the preliminary consideration of ordinary cases by the Standing Finance Committee of the Cabinet does not seem to serve any essential need. It might be considered whether the reference to the Standing Finance Committee may be confined to cases which are held to be extremely urgent and in respect of which it is proposed that orders should be issued without reference to the Cabinet again. In ordinary cases orders may be taken in full circulation or by a formal reference to the Cabinet, without prior reference to the Standing Finance Committee. At present, 'new services' schemes costing not more than Rs. 5,000 per annum recurring or Rs. 20,000 non-recurring do not require full circulation or reference to the Cabinet, and orders

[circulation or by a formal reference to the cabinet without a prior reference

may be issued in such cases after circulation to the Hon'ble Ministers concerned, Hon'ble Minister (Finance) and Hon'ble Premier only. (Circulation to Hon'ble Premier too is not necessary when the cost does not exceed Rs. 2,000 per annum recurring or Rs. 10,000 non-recurring. Even if as suggested above, the reference to the Standing Finance Committee is confined only to very urgent cases, it may be considered whether the present limits for issuing orders after circulation to Hon'ble Ministers concerned, Hon'ble Minister (Finance) and Hon'ble Premier only may not be raised, so as to reduce the number of cases which require full circulation or reference to the Cabinet. These limits may be lower than those in force in the early part of 1946 - see page 4 above. If the limits are raised, the present practice of informing all the Hon'ble Ministers who have not seen a particular case of the orders proposed to be issued may continue.

6. If approved, a note for the Cabinet will be prepared suggesting a revision of the existing procedure on the lines indicated above.

(sd) x x x
5.11.48.

'X' on page 9 above:- The question of anti-inflation measures to be adopted in order to balance the budget in the current and ensuing years without recourse to the Revenue Reserve Fund is under consideration separately and instructions may have to be issued to Departments of Secretariat and Heads of Departments after the question has been considered at the Cabinet or at an informal meeting of the Ministers. Instructions are also expected to be received from the Govt. of India regarding the order of priority to be adopted in taking up Post-War Development Schemes in 1948-49 and 1949-50. After considering the instructions of the Government of India, this Government will have to come/a decision as to the development schemes to be deferred or slowed down and then issue instructions to Departments of the Secretariat and Heads of Departments.

/to

The recommendation of the Retrenchment and Reorganisation Committee is intended to apply under normal conditions with a view to avoiding or reducing unnecessary work and has no special reference to the anti-inflation measures to be adopted. The action that we take on the Committee's recommendation should therefore have no reference to the need for adopting anti-inflation measures. Further, the mere issue of instructions regarding the restriction in the number of new schemes to be introduced in the course of a year will not have any appreciable results. Such instructions are being issued from time to time - c.f. this Department U.O. Note No. 21735-BG-1, dated 10.5.1947. These instructions do not seem to have had much effect in reducing the number of new schemes brought forward for introduction in the course of ~~&~~ 1947-48 or 1948-49. What is required is strict enforcement of the instructions and not mere reiteration of the instructions. If the Government draw up a revised development plan taking into consideration the instructions which the Government of India may issue, as a result of the discussions held at the Conference of the Finance Ministers on the 30th and 31st October 1948 and scrutiny of lists of Post-War Development Schemes, and provide funds in the Budget only for schemes included in that plan (by treating them as Part II

Schemes or otherwise) eliminating all other new schemes with very rare exceptions (e.g. those required for preventing a break-down in the administration), it may be possible to reduce considerably the number of new schemes to be introduced in the course of a financial year.

I agree.
x x x

2. 'Y' and 'Z' on page 10 above:- 'The Standing Finance Committee is a sub-committee of the Cabinet and it might look anomalous, if all new schemes which are not very urgent and the cost of which exceeds the prescribed limits for reference to the Standing Finance Committee and the Cabinet, are to go before the full Cabinet without a prior reference to the Standing Finance Committee, merely on the ground that the avoidance of reference to the Standing Finance Committee (in addition to the Cabinet) will save some work. The Cabinet ordinarily 'ratifies' the recommendations of the Standing Finance Committee in regard to new schemes proposed for introduction in the course of a financial year, and it does not appear desirable to refer a large number of schemes to the full Cabinet without even a prior consideration by the Standing Finance Committee.

I Agree
x x x

3. In the circumstances stated above, the only possible alternative courses, besides the one mentioned at 'M' above, seem to be:-

(a) to raise the monetary limits for reference to the Standing Finance Committee and the Cabinet from Rs. 5,000 recurring and Rs. 20,000 non-recurring, to say, Rs. 10,000 recurring and Rs. 50,000 non-recurring, or if a higher limit is considered necessary for reference to the Cabinet, Rs. 25,000 and Rs. 1,00,000 non-recurring may be adopted for this purpose; or

This may be done.
x x x

This refinement is unnecessary.

(b) to dispense with references to the Standing Finance Committee and the Cabinet altogether and revert to the practice prior to the constitution of the Standing Finance Committee in December 1946. Orders will then be taken in circulation for introduction of new schemes in the course of a financial year with reference to the limits mentioned on page 4 above.

T.N.S.R.
12.11.48.

4. Orders may perhaps be taken in circulation, ~~in the first~~ in the first instance, to Hon'ble Minister (Finance) and Hon'ble Premier on the points:-

(i) whether the Government will accept the recommendation of the Retrenchment and Reorganisation Committee the higher limits may be prescribed for referring new schemes to the Standing Finance Committee and that in respect of schemes costing below the limits, orders may be taken in circulation;

(ii) if the recommendation of the Retrenchment and Reorganisation Committee is to be accepted, whether the limits may be revised as suggested in item (a) in para 3 above and if so, whether the suggestion may be placed before the Standing Finance Committee and the Cabinet.

It is presumed that the alternative (b) in para 3 above will not be aceeptable, as it will involve scrapping the Standing Finance Committee. Immediate action

will not be feasible in regard to the alternative at 'M' on page 12 above.

K.V. (A.D.S.).
9.11.48.

I agree with the A.D.S. Too many comparatively trivial cases are coming before the Standing Finance Committee, creating a long pendency there, which in some cases gives rise to inefficiency and resultant financial loss. The Cabinet should not be troubled with details of additional clerical staff. Sufficient economy would be effected if, in view of the present financial stringency, the proposals of Finance Department restricting the employment of additional staff were generally aceepted. The limits suggested in para 3(a) on page 12 above appear reasonable in view of the present value of money. This may await Secretary's return. C.S. should see before circulation.

x x x
10.11.48. (D.S.).

The Standing Finance Committee as at present constituted functions as a Sub Committee of the Cabinet for the scrutiny of the financial aspects of proposals coming up to the Cabinet. As is implied in the portion marked 'A' of H.M. (Finance)'s minute extracted on pages 8-9 above, the members of the Standing Finance Committee share in respect of the proposals placed before it, the responsibility for financial control, which would ordinarily be exercised, to a large extent, solely by the Finance Minister. It is therefore essential that the number of proposals placed before it should be small enough to make it possible for them to be subjected to a though scrutiny by the members, each of whom is overburdened with work relating to his own department or departments. The reduction in the number of items to be scrutinised by the Standing Finance Committee will also relieve all departments of the Secretariat of a considerable volume of drafting and typing work. Both from the point of view of reduction of work and the efficiency of financial control, therefore it is desirable to raise the money limits for reference to the Committee from Rs. 5,000 recurring and Rs. 20,000 non-recurring/ Under the present political set up, files which were in the past circulated to His Excellency as the head of the administration are being circulated to Hon'ble Premier instead. 'New service' cases the cost of which exceeds Rs. 2,000 recurring or Rs. 10,000 non-recurring but is below the limits prescribed for the Standing Finance Committee may be circulated to the Hon'ble Ministers concerned. Hon'ble Minister (Finance) and Hon'ble Premier. In the case of schemes which are not new services, circulation to Hon'ble Premier also may be prescribed where the cost exceeds Rs. 5000 recurring and Rs. 20,000 non-recurring.

to Rs. 10,000 recurring and Rs. 50,000 non-recurring.

T.N.S. Raghavan,

12.11.48.

I agree generally. Since 'new service' cases to Government of which exceeds to Rs. 2,000 recurring or Rs. 10,000 non-recurring will be circulated to Hon'ble Ministers concerned, Hon'ble Minister (Finance) and Hon'ble Premier, it does not matter much if the limit for reference to the Standing Finance Committee are raised, as proposed, to Rs. 10,000 recurring and Rs. 50,000 non-recurring.

K. Ramunni Menon,
15.11.

FINANCE (B.G.) DEPARTMENT

Please see the notes from page 1 above.

Orders are now solicited on the following points:-

(i) whether the Government will accept the recommendation of the Retrenchment and Reorganisation Committee that higher limits may be prescribed for referring new schemes to the Standing Finance Committee and that in respect of schemes costing below the limits, orders may be taken in circulation; and

(ii) if the recommendation of the Retrenchment and Reorganisation Committee is to be accepted, whether the limits may be revised and the existing procedure modified as indicated in the Finance Secretary's note (agreed to by Chief Secretary) on pages 14-15 above, and if so, whether the suggestions may be placed before the Standing Finance Committee and the Cabinet for approval.

A

Please put it in 'Blue'.

B.G.R.

x x x
16.11.48.

K.V.
17.11.48.

Put in blue board as ordered by H.M. above.

K.V.
23.11.

T.N.S.R.
18.11.48.

H.M. (Finance) 'A' may be done.

B.G.R.
23.11.

Hon'ble Premier. (Sd) O.P.R.
24.11.

Please see the orders in circulation at the bottom of pages 15 above.

A draft Note for the Standing Finance

Committee is submitted for approval.

x x x
27.11.48.

K.V.
29.11.48.

I feel this note is far too long. It need not go into all this ancient history. What is necessary is to give clearly the reasons for increasing the limits now. Please try again".

x x x
30.11.

Resubmitted with a revised draft note.

x x x
1.12.48.

K.V.S.
1.12.48.

x x x
2.12.

"Make the alteration indicated in the statement on page 3 of the draft. The idea is that the existing and proposed limits should appear in parallel columns".

T.N.S.R.
2.12.48.

Copies of the Note for Standing Finance Committee have been taken and circulated to all Hon'ble Ministers and a clear copy is placed in the file. The file may now be sent to the Secretary, Standing Finance Committee (Deputy Secretary to Finance) for his use at the meeting.

x x x
4.12.48.

STANDING FINANCE COMMITTEE.

Due to the want of a quorum the matter could not be considered by the Committee at its meeting fixed for 26.5.1949. Hon'ble Premier has ordered that the matter may be placed before the Cabinet direct.

P.M. N.
26.5.49.

FINANCE (B.G.) DEPARTMENT

With reference to 'K' on page 16 above,

a draft note for the Cabinet is put up below for approval. Chief Secretary may see the note before circulation.

x x x
30.5.49.

T.N.S.R.
30.5.49.

R.R.M.
1.6.

FINANCE (BUDGET GENERAL) DEPTT.

According to existing instructions new schemes costing over Rs. 5,000 per annum, if recurring and Rs. 20,000, if non-recurring have ordinarily to go before the Standing Finance Committee and the Cabinet. The Retrenchment and Reorganisation Committee recommended the fixation of higher limits and the subject was included in the agenda for the meeting of the Standing Finance Committee on 26.5.1949. The Committee could not however meet that day for want of quorum and Hon'ble Premier has directed that the matter may be placed before the Cabinet direct.

The main change now proposed is to raise the existing limits of Rs. 5,000 per annum recurring and Rs. 20,000 non-recurring for cases going before the Standin Finance Committee and the Cabinet to Rs. 10,000 per annum recurring and Rs. 50,000 non-recurring. The case may be circulated to Hon'ble Minister (Finance) for approval of the draft Cabinet note below.

x x x
4.6.1949.

T.N.S.R.
6.6.49.

H.M. (Finance).

B.G.R.
7.6.

'Issue'.

T.N.S.R.
7.6.49.

Copies of the note for the Cabinet have been circulated to all Hon'ble Ministers, Private Secretary to Governor and the Chief Secretary. The Chief Secretariat have been requested to include this subject in the Agenda for the Cabinet meeting to be held on 22.6.1949. The file may be sent to Chief Secretary for use at the meeting of the Cabinet.

x x x
16.6.49.

K.R.M.
17.6.

PUBLIC (SPECIAL) DEPARTMENT

U.O. Note No. 1761/49-3 dated the 24th June 1949.

The following file of the Finance Department for the use ϕ at the Cabinet meeting held on 22nd June 1949 is returned herewith. The receipt of the file may be acknowledged. The Cabinet decisions will be sent separately.

K. Ramunni Menon,
Chief Secretary to Government.

To

The Finance Department.

...

New Service Procedure - Fixation of higher limits for cases going before the Standing Finance Committee - Recommendation of the Retrenchment and Reorganization Committee.

...

FINANCE (B.G.) DEPARTMENT

The Cabinet has accepted the higher limits recommended by this Department in respect of the cases going before the Standing Finance Committee.

A draft U.O. Note communicating the higher limits and the consequential changes in the procedure of circulation to the departments of the Secretariat is submitted below for approval.

x x x
28.6.49.

"The Cabinet decision on page 15 c.f. refers to the 'recommendations of the Standing Finance Committee". The question however has not been specifically considered by the Standing Finance Committee. ✓K on page 16 above/It is presumed that the proposals made in the note for the Cabinet have been approved. The draft may be issued".

T.N.S.R.
28.6.49.

H.M. (Finance).

"After issue, please circulate a copy of the G.O. to me".

B. Gopal Reddi,
29.6.

....

/True copy/

Superintendent,
MADRAS RECORD OFFICE.

k.y.s.